

Message Text

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ORIGIN XMB-04

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EGEN

SUBJ: PRELIMINARY COMMITMENT TO SUPPORT SALE OF AGRICULTURAL
EQUIPMENT TO CONSEJO NACIONAL DE PRODUCCION

1. JOHN DEERE INTERCONTINENTAL LTD. HAS APPROACHED EXIMBANK FOR A PRELIMINARY COMMITMENT TO ASSIST THE CONSEJO NACIONAL DE PRODUCCION (CNP) IN FINANCING THE PURCHASE OF DOLS 14 MILLION OF AGRICULTURAL MACHINERY. THE MACHINERY IS ASSOCIATED WITH A GOVERNMENT PROGRAM TO EXPAND PRODUCTION OF BASIC GRAINS (RICE, MAIZE, BEANS, SORGHUM). JOHN DEERE LISTS THE FOLLOWING ITEMS IN THE DOLS 14 MILLION SALE: 419, 65-75 HP 2-WHEEL DRIVE TRACTORS; 140, 90-115 HP 4-WHEEL DRIVE TRACTORS; 6, 180-225 HP ARTICULATED TRACTORS; 87, 105-125 HP COMBINES; 1036 IMPLEMENTS FOR PRIMARY AND SECONDARY TILLAGE; AND 81 PLANTING IMPLEMENTS. DELIVERY OF EQUIPMENT IS TO BE SPREAD OVER 18 MONTHS BEGINNING JANUARY 1976.

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2. EXIMBANK UNDERSTANDS THAT CNP HAS NOT YET PUBLISHED FORMAL BIDS AND ALL OF THE FIGURES SUBMITTED BY JOHN DEERE ARE TENTATIVE AND SUBJECT TO CHANGE. EXIMBANK WILL NOT BE ABLE TO PROCESS THE P.C. REQUEST UNTIL IT RECEIVES A COPY OF THE INVITATION TO BID AND

A LIST OF THE SPECIFIC ITEMS TO BE BID ON. BUT IN THE INTERIM, EXIMBANK WOULD LIKE TO LEARN MORE ABOUT CNP AND THE BASIC GRAINS PROGRAM. WE WOULD APPRECIATE ANY INFORMATION THE EMBASSY CAN PROVIDE ON THE FOLLOWING MATTERS:

A) WHAT IS THE ROLE OF THE CNP IN COSTA RICA? IS IT EFFECTIVE IN CARRYING OUT THIS ROLE?

B) JOHN DEERE HAS INFORMED US THAT CNP PLANS TO SET UP REGIONAL CENTERS TO RECEIVE THE EQUIPMENT AND PROVIDE AGRICULTURAL MACHINERY SERVICES TO LOCAL FARMERS. EXIMBANK WOULD LIKE TO KNOW WHETHER CNP HAS ADEQUATE MANPOWER AND TECHNICAL EXPERTISE TO INSURE THAT THESE CENTERS WILL BE EFFECTIVELY SET UP AND READY IN TIME FOR RECEIPT OF A RELATIVELY LARGE VOLUME OF EQUIPMENT. TO WHAT EXTENT DOES CNP HAVE ACCESS TO EXPERIENCED OPERATORS AND MAINTENANCE PERSONNEL TO STAFF THE REGIONAL CENTERS AND TO WHAT EXTENT MUST CNP RECRUIT UNSKILLED PERSONNEL AND HAVE THEM TRAINED FOR THE JOB? IF A COMPREHENSIVE TRAINING PROGRAM IS REQUIRED TO STAFF THE CENTERS, BY WHOM AND HOW WILL SUCH TRAINING BE PERFORMED? HOW MUCH AND WHAT TYPE OF TRAINING DOES CNP EXPECT TO RECEIVE FROM THE SUPPLIERS OF THE EQUIPMENT? IN ADDITION TO MINOR FIELD MAINTENANCE, WILL THE REGIONAL CENTERS PERFORM MAJOR MAINTENANCE? HAS A PLAN FOR MAINTENANCE AND STORAGE OF EQUIPMENT BEEN DEVELOPED?

C) THE PRODUCTION TARGETS FOR BASIC GRAINS PUBLISHED BY CNP APPEAR TO BE AMBITIOUS. EXIMBANK WONDERS WHETHER THESE PRODUCTION GOALS ARE REALISTIC. WE UNDERSTAND THAT RICE PRODUCTION IS RELATIVELY EFFICIENT AND THEREFORE MAY BE RESPONSIVE TO STIMULATIVE MEASURES OF THE BASIC GRAINS PROGRAM; BUT EXPANDED PRODUCTION OF MAIZE, BEAN AND SORGHUM MAY BE MORE DIFFICULT TO ACHIEVE BECAUSE THESE CROPS ARE GROWN PRINCIPALLY BY SMALL FARMERS THAT ARE ACCUSTOMED TO A VERY LOW LEVEL OF TECHNOLOGY. ARE GOVERNMENT DEPARTMENTS INVOLVED IN THE PROGRAM SUFFICIENTLY PREPARED TO COORDINATE THEIR ACTIVITIES TO INSURE ADEQUATE SEED, FERTILIZERS, PESTICIDES, IRRIGATION, STORAGE, CREDIT, INCENTIVE PRICES, LIMITED OFFICIAL USE
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MARKETING FACILITIES, ETC., THAT WILL BE NEEDED TO MEET PROJECTED PRODUCTION LEVELS?

D) CONSIDERING CNP'S CAPACITY TO ABSORB A LARGE VOLUME OF AGRICULTURAL MACHINERY, REALISTIC PRODUCTIONS TARGETS FOR THE BASIC GRAINS PROGRAM, AND WORK THAT MUST BE DONE TO ACHIEVE THESE TARGETS, ARE CNP'S STATED REQUIREMENTS FOR NEW MACHINERY REASONABLE?

E) WHEN DOES CNP PLAN TO PUBLISH OFFICIAL BIDS FOR THE AGRICULTURAL EQUIPMENT PURCHASE PROGRAM?

F) THERE APPARENTLY WILL BE CONSIDERABLE FOREIGN COMPETITION FOR THE SUBJECT BUSINESS. ANY INFORMATION THE EMBASSY CAN OBTAIN

ABOUT ERMS OF FINANCING OFFERED TO CNP BY FOREIGN FIRMS WOULD
BE OF INEREST TO EXIMBANK.

3. EXIMBANK UNDERSTANDS THAT EMBASSY MAY NOT BA IN A POSITION
TO COMMENT ON ALL THE MATTERS MENTIONED ABOVE. BUT THE BANK HAS
LITTLE INFORMATION ON THE SPECIFICS OF CNP AND THE BASIC GRAINS
PROGRAM. ANY INFORMATION THE EMBASSY CAN PROVIDE WOULD BE
APPRECIATED. KISSINGER

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